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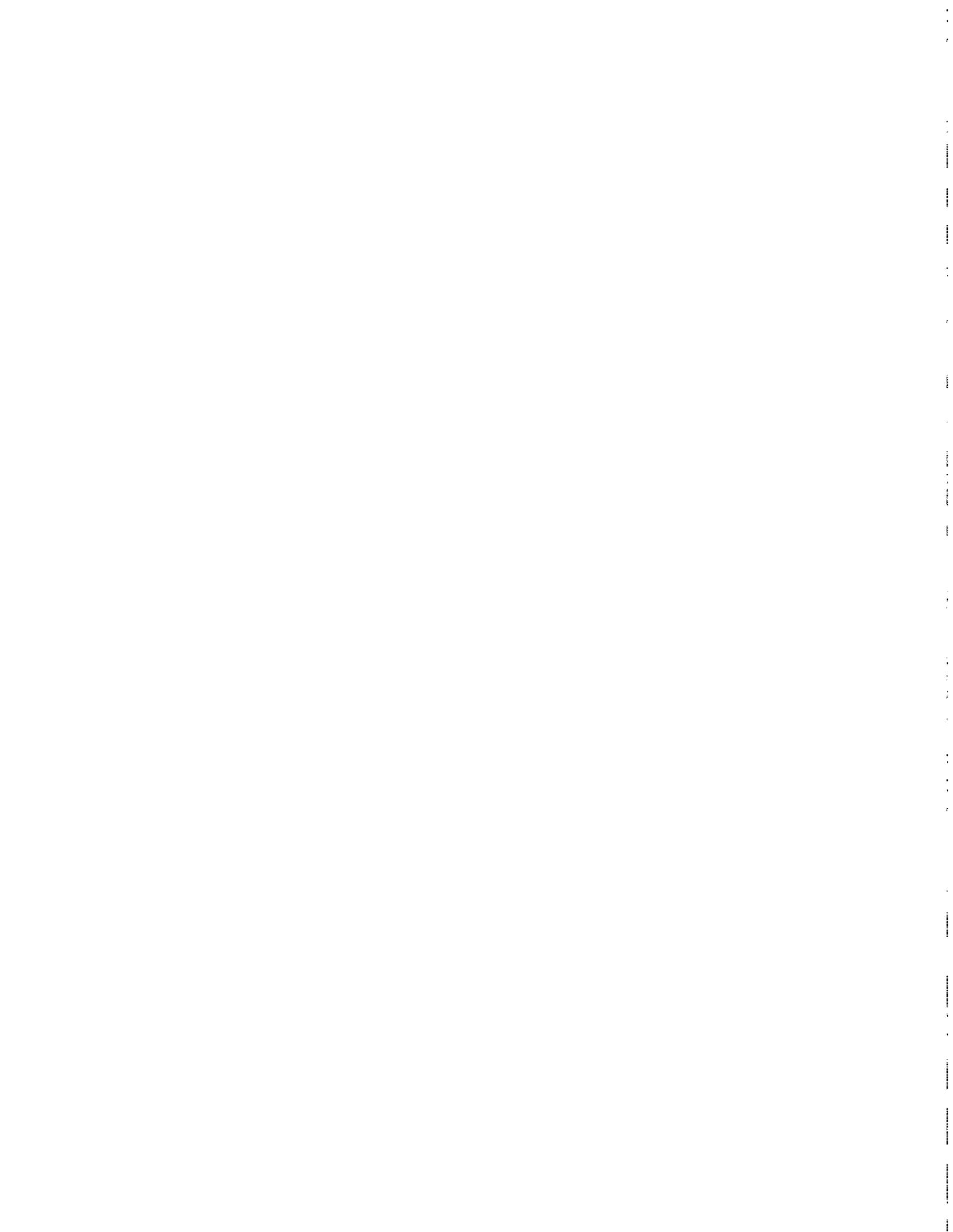
Report to the Chairman, Subcommittee
on Legislation and National Security,
Committee on Government Operations,
House of Representatives

February 1991

UNCLAIMED PROPERTIES

Value of Federal Funds Held by the District of Columbia Is Minimal







United States
General Accounting Office
Washington, D.C. 20548

Accounting and Financial
Management Division

B-221557

February 6, 1991

The Honorable John Conyers, Jr.
Chairman, Subcommittee on Legislation
and National Security
Committee on Government Operations
House of Representatives

Dear Mr. Chairman:

In your letter of July 25, 1990, you requested that we review the unclaimed properties held by the District of Columbia that were identified as belonging to federal agencies and determine the nature and value of those properties. This report provides the results of our review. Based on discussions with your staff, we also determined how the Office of Management and Budget (OMB) plans to increase agency awareness of these and other federal unclaimed properties in the possession of the District of Columbia and the states.

Results in Brief

Each year, unclaimed properties are reported to the District of Columbia's Unclaimed Property Division, which lists only the owners' names and addresses in local newspapers in an effort to notify them of the existence of unclaimed property. Since the District of Columbia's confidentiality statute does not allow us access to information in its unclaimed property records, we had to contact the holders of the properties. We found that only 45 of the 8,740 unclaimed properties the District of Columbia listed in 1989 belonged to federal agencies. Forty-one of these properties, with a total value of \$30,699, were checks for refunds or payments due federal agencies. The nature and dollar values of the remaining four unclaimed properties turned over to the District of Columbia could not be determined because the holders did not retain records after relinquishing the properties.

Three agencies reclaimed \$3,042 of the \$30,699 after being notified by the holder of the property or the District of Columbia, but agencies have not reclaimed the remaining \$27,657. About 82 percent of the unclaimed federal properties belonged to six federal agencies, who generally did not know that the District of Columbia was holding these properties. OMB's Chief of Credit and Cash Management told us that OMB is now considering several options for making federal agencies aware of unclaimed federal properties in the possession of state or local government entities,

such as the District of Columbia, and the need for agencies to reclaim these properties.

Background

The District of Columbia's Uniform Disposition of Unclaimed Property Act of 1980 established procedures for handling unclaimed personal property in the District of Columbia. The act defines unclaimed property as property held by an organizational entity but not claimed by the owner within 7 years after becoming payable or distributable. Holders¹ report unclaimed properties to the District of Columbia if the owner's last known address is there. The District of Columbia has reciprocal agreements with 12 states under which the states report to the District unclaimed properties that holders in those states have reported as belonging to an owner with a District of Columbia address. Holders can also report unclaimed properties to the District of Columbia if the property transaction took place there.

The District's Unclaimed Property Division handles the collection, recordkeeping, maintenance, and compliance activities for intangible properties reported and delivered to the District of Columbia each year. The Unclaimed Property Division publishes semiannual listings of those unclaimed properties in February and August. The listings are not cumulative; that is, they do not include properties listed in prior years. They are published in local newspapers in the District of Columbia and contain only the owners' names and addresses as reported by the holders. The District of Columbia is not required to publish notice of any item valued at less than \$50.

Objectives, Scope, and Methodology

As agreed with your office, the objectives of our review were to determine (1) the procedures for reporting and reclaiming unclaimed property in the possession of the District of Columbia, (2) if the District of Columbia is holding unclaimed federal property, (3) the dollar value and nature of the property, (4) if agencies are aware of unclaimed properties belonging to them, and (5) what OMB plans to do to increase agency awareness of unclaimed federal properties. To accomplish these objectives, we met with officials of the District of Columbia's Unclaimed Property Division to discuss their procedures for handling unclaimed properties. We also reviewed unclaimed property listings published by

¹ Holders can be companies, corporations, banks, insurance companies, and states that possess property belonging to another.

the District of Columbia in the District Weekly Section of The Washington Post in February 1989 and in The Washington Times in August 1989. We focused our review on the 1989 listings of unclaimed properties because they provided the most recent information available. From these listings, we identified all unclaimed properties reported as belonging to federal agencies.

Because the District of Columbia's confidentiality statute allows only owners to have access to information in its unclaimed property records, we were not able to review the records. However, District officials provided us with the names, addresses, and phone numbers of the 21 holders who had reported federal property to them between July 1, 1988, and June 30, 1989. We contacted the holders to determine the dollar value and nature of the 45 unclaimed federal properties we identified. The scope of our review did not include determining why the checks which comprised the unclaimed properties belonging to federal agencies had either not been received or had not been cashed.

We contacted the six federal agencies² with the highest dollar-valued unclaimed properties to determine if they knew that the District was holding those properties. In addition, we met with officials at OMB to discuss (1) its role in making agencies aware of unclaimed properties in the possession of the District of Columbia and (2) policies and procedures for reclaiming these properties.

We conducted our work at the District of Columbia's Unclaimed Property Division from August 1990 through October 1990 in accordance with generally accepted government auditing standards. We discussed a draft of this report with agency officials and have incorporated their views where appropriate.

Procedures Established for Reporting and Reclaiming Property

The process for reporting unclaimed property in the District of Columbia originates with the holder of the property. The holder must report to the District any such property that the owner has not attempted to claim for 7 years. During the 4 months prior to reporting the property to the District, the holder must send a notice to the owner in an attempt to return the property if the holder has a record of the owner's address. The notice we reviewed stated that properties left

²The federal agencies contacted were the General Services Administration, the Securities and Exchange Commission, the Department of Veterans Affairs, the Commission on Civil Rights, the U.S. Postal Service, and the Department of the Navy.

unclaimed are presumed to be abandoned and will be turned over to the District.

Holders, except for insurance companies,³ are required to report unclaimed property to the District of Columbia by November 1 each year. However, the property does not have to be remitted to the District until the following May 1. Therefore, the owner has until May 1 to reclaim the property from the holder before it is turned over to the District of Columbia. Property reported to the District by November 1 will generally be listed in local newspapers in February of the next year. Holders generally do not update the District on whether the properties reported in November have been reclaimed until May of the next year, 2 months after the February listing. As a result, some reclaimed properties still appear in the newspaper if the owner reclaims them after they are reported to the District of Columbia. Similar procedures are followed for unclaimed properties reported in May and listed in August.

After the property is reported to the District of Columbia in November, the District's Unclaimed Property Division is responsible for sending the owner a notice, if there is a known address, providing the owner with another opportunity to reclaim the property. If the owner still does not reclaim the property, the District of Columbia lists it in local newspapers in February. To reclaim property appearing in the listings, the owner must contact the District's Unclaimed Property Division, complete a standard form UP-3 (Claim for Return of Property Presumed Abandoned), and return this form to the District, along with identification and verification of ownership. Unclaimed intangible properties⁴ delivered to the District are held indefinitely in the General Fund of the District unless they are reclaimed by the owner.

Few Unclaimed Properties Belong to Federal Agencies

In February and August of 1989, the District of Columbia listed in local newspapers 8,740 unclaimed properties belonging to individuals, private companies, and federal agencies. District officials stated that these properties had a total value of about \$4.7 million. For the properties listed, 21 holders reported that 45 properties belonged to 25 federal agencies. Forty-one of these properties had a total value of \$30,699,

³Insurance companies are required to report unclaimed property to the District of Columbia before May 1 of each year and to remit the property to the District before November 1 of that year.

⁴Intangible property includes drafts, credit balances, credit checks, uncashed vendor checks, and any other outstanding checks.

which is less than 1 percent of the value of the 1989 unclaimed properties listed by the District of Columbia. These properties were comprised of checks for refunds or payments due federal agencies for goods and services provided. We were unable to determine the nature and dollar values of four unclaimed properties turned over to the District of Columbia by Illinois and Massachusetts because the states did not retain records after relinquishing the properties. Appendix I provides a listing of the 45 properties belonging to the 25 federal agencies. The holders stated that the agencies either did not receive the checks sent to them or received the checks and did not cash them. Three case studies on how federal properties became abandoned are discussed in appendix II.

Three of the 25 federal agencies on the 1989 listings have reclaimed at least some of their properties. The three agencies reclaimed properties valued at \$3,042 after receiving notices from either the District of Columbia's Unclaimed Property Division or the holder. Specifically, the Securities and Exchange Commission reclaimed a check for \$100 after receiving a letter of notification from the District of Columbia. The holder, an insurance company, had reported the check to the District of Columbia. In addition, the Department of Labor reclaimed a check for \$231.80 after receiving a notice from the holder, a utility company. Lastly, the General Services Administration reclaimed a check for \$2,710 from the holder, a moving company, after receiving a letter of notification from the District of Columbia.

Most Agencies With Highest Dollar-Value Unclaimed Properties Were Unaware of Them

Our review showed that about 82 percent of the unclaimed federal properties listed by the District of Columbia in 1989 belonged to the six federal agencies shown in table 1. We contacted officials within those agencies and informed them that the District had unclaimed properties belonging to them. Only officials from the Securities and Exchange Commission knew of this. In addition, none of the agency officials we contacted were aware of the local newspaper listings.

Table 1: Federal Agencies With Highest Dollar Amounts of Unclaimed Properties

Agency	Dollar value	Percent of total federal unclaimed properties
General Services Administration	\$10,549	34.4
Securities and Exchange Commission	4,561	14.9
Department of Veterans Affairs	3,797	12.4
Commission on Civil Rights	2,384	7.8
U.S. Postal Service	1,966	6.4
Department of the Navy	1,884	6.1
Total	\$25,141	82.0

Our efforts prompted three of these agencies to contact the District's Unclaimed Property Division to reclaim their properties. However, these agencies had not reclaimed the properties as of October 31, 1990.

OMB's Chief of Credit and Cash Management told us that OMB is considering several options for making federal agencies aware of unclaimed properties that belong to them and are being held by a state or local government entity such as the District of Columbia. These options include (1) a private contractor identifying unclaimed properties which belong to federal agencies and notifying the individual agencies of these properties, (2) a lead agency, such as OMB, the Department of the Treasury, or the General Services Administration, managing the process for identifying and reclaiming properties, or (3) each agency identifying and reclaiming its own property. OMB officials stated that while the District of Columbia held unclaimed properties representing only a small amount of funds belonging to federal agencies, states could be holding properties valued at much higher amounts.

Conclusions

Federal agencies are generally unaware of unclaimed federal properties held by the District of Columbia. These properties constitute less than 1 percent of the total value of unclaimed property held by the District. Adopting one of OMB's options will enhance federal agencies' awareness of unclaimed federal properties.

As agreed with your office, we will not distribute copies of this report until 30 days from the date of this letter. At that time, we will send copies to the Mayor of the District of Columbia, the Director of the Office of Management and Budget, and other interested parties. Please contact me at (202) 275-9454 if you or your staff have any questions concerning this report. Major contributors to this report are listed in appendix III.

Sincerely yours,

A handwritten signature in black ink, reading "Jeffrey C. Steinhoff". The signature is written in a cursive style with a large, stylized "J" and "S".

Jeffrey C. Steinhoff
Director, Civil Audits

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Table 1: Federal Agencies With Highest Dollar Amounts
of Unclaimed Properties

Abbreviation

OMB Office of Management and Budget

Unclaimed Federal Properties Listed by the District of Columbia in 1989

Owner ^a	Holder	Property value
Commission on Civil Rights	Xerox Corporation	\$2,384.47
Department of the Air Force	Coulter Electronics	165.00
Department of Energy	State of Illinois	^b
Department of Health and Human Services	C and P Telephone	94.75
	C and P Telephone	408.80
	District of Columbia Office of Controller	255.00
Department of the Interior	Xerox Corporation	398.00
Department of Labor	C and P Telephone	231.80 ^c
	Xerox Corporation	305.55
	Xerox Corporation	113.00
	Xerox Corporation	6.68
Department of the Navy	Xerox Corporation	1,453.50
	Xerox Corporation	50.12
	Xerox Corporation	379.99
	State of Illinois	^b
Department of State	Coulter Electronics	75.00
Department of the Treasury	Acacia Mutual Life Insurance Company	207.00
	Hertz Corporation	118.00
	Wisconsin Unclaimed Property	60.00
Department of Veterans Affairs	Liberty Mutual Insurance Company	3,764.00
	Prudential Property and Casualty Insurance Company	33.21
Equal Employment Opportunity Commission	State of Illinois	^b
Federal Home Loan Bank Board ^d	Xerox Corporation	124.14
General Services Administration	Consolidated Rail Corporation	2,709.92 ^c
	District of Columbia Office of Controller	7,839.08 ^e
Government Printing Office	Reliance Electric Industrial Company	61.40
Internal Revenue Service	Sovran Bank	50.00
National Archives and Records Administration	State of Massachusetts	^b

(continued)

Appendix I
Unclaimed Federal Properties Listed by the
District of Columbia in 1989

Owner^a	Holder	Property value
Office of Personnel Management	District of Columbia Office of Controller	250.00
	District of Columbia Office of Controller	1,270.00
Patent and Trademark Office	Wisconsin Unclaimed Property	100.00
Securities and Exchange Commission	Hawkeye National Life Insurance Company	100.00 ^c
	General Mills Incorporated	125.00
	State of Texas	4,336.17
Social Security Administration	District of Columbia Office of Controller	261.50
U.S. Congress	Xerox Corporation	425.61
	Xerox Corporation	55.05
U.S. Customs Service	U.S. Customs Service Federal Credit Union	59.00
U.S. Marshals Service	District of Columbia Office of Controller	411.00
U.S. Passport Office	NCR Corporation	52.00
U.S. Postal Service	Old American Insurance Company	1,465.62
	George Washington University	500.00
Total		\$30,699.36

^aThe current names of the federal agencies listed in local newspapers in 1989 are used.

^bThe states of Illinois and Massachusetts were unable to tell us the dollar values or nature of unclaimed properties which they had turned over to the District of Columbia.

^cThis property was reclaimed by the owner.

^dThe Federal Home Loan Bank Board was abolished on August 9, 1989, by the Financial Institutions Reform, Recovery, and Enforcement Act of 1989. The Board's functions are currently the responsibility of the Office of Thrift Supervision.

^eThis amount represents the value of four properties reported by the District of Columbia in local newspaper listings. Our review disclosed that the four properties consisted of 13 checks.

Case Studies of Unclaimed Federal Property

General Services Administration

The General Services Administration was identified in listings published by the District of Columbia in 1989 as having four unclaimed properties with a total value of \$7,839. These properties are comprised of 13 checks issued by the District's Office of the Controller to the General Services Administration. Seven of these checks, with a value of \$6,339, are payments for supplies purchased by the District's public schools and Environmental Services Agency. The General Services Administration, however, either did not receive these checks or received them but did not cash them. Information was not readily available on the nature of the remaining six checks, which have a total value of \$1,500.

Department of Veterans Affairs

The Department of Veterans Affairs was identified in 1989 as having an unclaimed check for \$3,764. The holder, an insurance company, issued a check to a Veterans Affairs hospital to pay debts incurred by a veteran who was injured at work and treated at the hospital. The employee later had his insurance company pay the hospital for his bill. However, the hospital either did not receive the check from the insurance company or received the check but did not cash it.

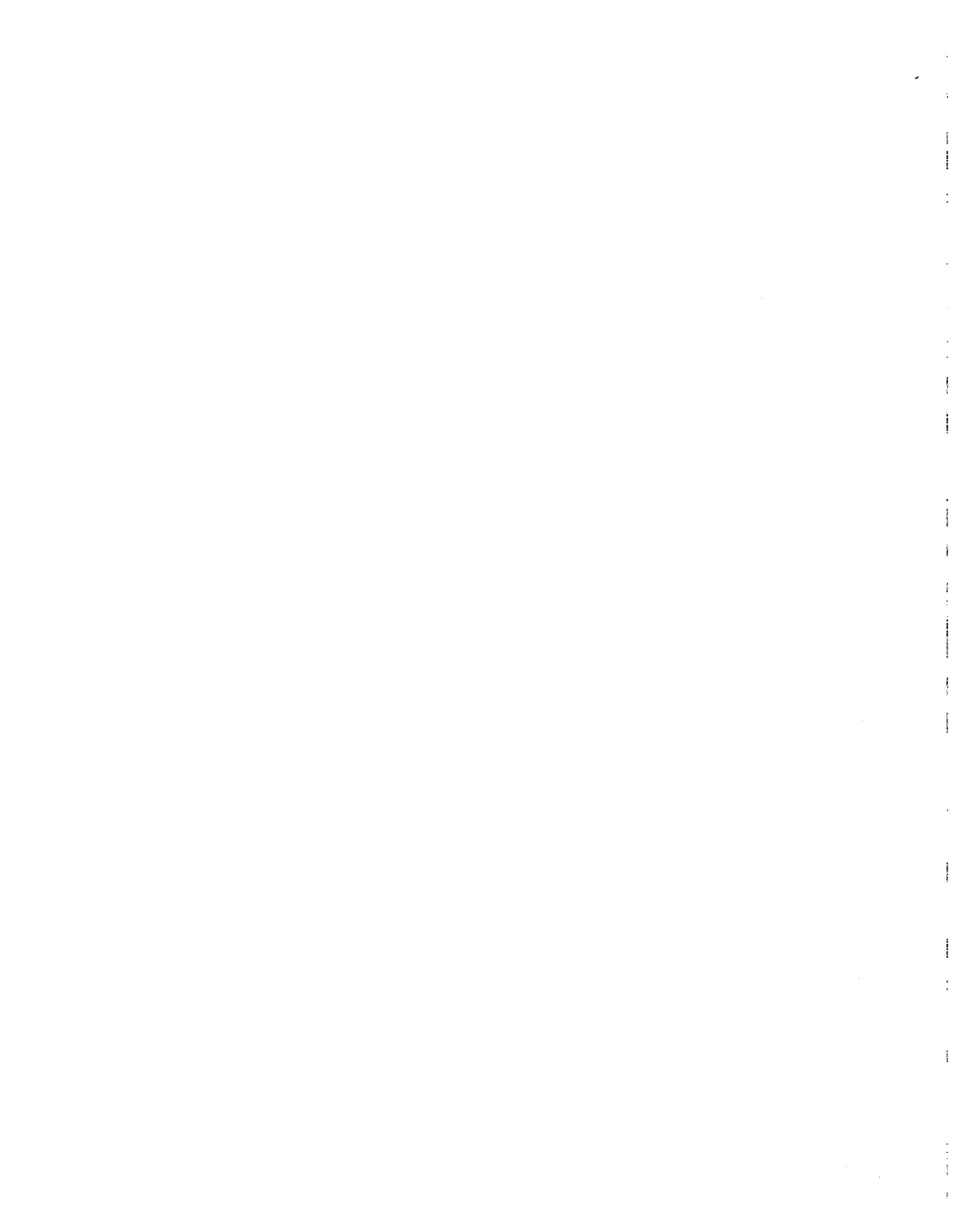
Department of the Navy

The Department of the Navy was listed by the District of Columbia in 1989 as having an unclaimed check for \$1,453. The holder, a vendor, issued the check for a refund on an exchange or trade-in of copying equipment. Apparently, more expensive equipment was exchanged for less expensive equipment. The Department of the Navy, however, either did not receive the refund check or received the check but did not cash it.

Major Contributors to This Report

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